

(1) Meets the requirements of paragraph (3) of the definition of repo-style transaction in § 217.2, and

(2) Is legal, valid, binding, and enforceable under applicable law in the relevant jurisdictions.

(f) *Failure of a QCCP to satisfy the rule's requirements.* If a Board-regulated institution determines that a CCP ceases to be a QCCP due to the failure of the CCP to satisfy one or more of the requirements set forth in paragraphs (2)(i) through (2)(iii) of the definition of a QCCP in § 217.2, the Board-regulated institution may continue to treat the CCP as a QCCP for up to three months following the determination. If the CCP fails to remedy the relevant deficiency within three months after the initial determination, or the CCP fails to satisfy the requirements set forth in paragraphs (2)(i) through (2)(iii) of the definition of a QCCP continuously for a three-month period after remedying the relevant deficiency, a Board-regulated institution may not treat the CCP as a QCCP for the purposes of this part until after the Board-regulated institution has determined that the CCP has satisfied the requirements in paragraphs (2)(i) through (2)(iii) of the definition of a QCCP for three continuous months.

§§ 217.4–217.9 [Reserved]

## Subpart B—Capital Ratio Requirements and Buffers

### § 217.10 Minimum capital requirements.

(a) *Minimum capital requirements.* A Board-regulated institution must maintain the following minimum capital ratios:

(1) A common equity tier 1 capital ratio of 4.5 percent.

(2) A tier 1 capital ratio of 6 percent.

(3) A total capital ratio of 8 percent.

(4) A leverage ratio of 4 percent.

(5) For advanced approaches Board-regulated institutions, a supplementary leverage ratio of 3 percent.

(b) *Standardized capital ratio calculations.* Other than as provided in paragraph (c) of this section:

(1) *Common equity tier 1 capital ratio.* A Board-regulated institution's common equity tier 1 capital ratio is the ratio

of the Board-regulated institution's common equity tier 1 capital to standardized total risk-weighted assets;

(2) *Tier 1 capital ratio.* A Board-regulated institution's tier 1 capital ratio is the ratio of the Board-regulated institution's tier 1 capital to standardized total risk-weighted assets;

(3) *Total capital ratio.* A Board-regulated institution's total capital ratio is the ratio of the Board-regulated institution's total capital to standardized total risk-weighted assets; and

(4) *Leverage ratio.* A Board-regulated institution's leverage ratio is the ratio of the Board-regulated institution's tier 1 capital to the Board-regulated institution's average total consolidated assets as reported on the Board-regulated institution's Call Report, for a state member bank, or the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C), for a bank holding company or savings and loan holding company, as applicable minus amounts deducted from tier 1 capital under § 217.22(a), (c) and (d).

(c) *Advanced approaches capital ratio calculations.* An advanced approaches Board-regulated institution that has completed the parallel run process and received notification from the Board pursuant to § 217.121(d) must determine its regulatory capital ratios as described in this paragraph (c).

(1) *Common equity tier 1 capital ratio.* The Board-regulated institution's common equity tier 1 capital ratio is the lower of:

(i) The ratio of the Board-regulated institution's common equity tier 1 capital to standardized total risk-weighted assets; and

(ii) The ratio of the Board-regulated institution's common equity tier 1 capital to advanced approaches total risk-weighted assets.

(2) *Tier 1 capital ratio.* The Board-regulated institution's tier 1 capital ratio is the lower of:

(i) The ratio of the Board-regulated institution's tier 1 capital to standardized total risk-weighted assets; and

(ii) The ratio of the Board-regulated institution's tier 1 capital to advanced approaches total risk-weighted assets.

(3) *Total capital ratio.* The Board-regulated institution's total capital ratio is the lower of:

(i) The ratio of the Board-regulated institution's total capital to standardized total risk-weighted assets; and

(ii) The ratio of the Board-regulated institution's advanced-approaches-adjusted total capital to advanced approaches total risk-weighted assets. A Board-regulated institution's advanced-approaches-adjusted total capital is the Board-regulated institution's total capital after being adjusted as follows:

(A) An advanced approaches Board-regulated institution must deduct from its total capital any allowance for loan and lease losses included in its tier 2 capital in accordance with § 217.20(d)(3); and

(B) An advanced approaches Board-regulated institution must add to its total capital any eligible credit reserves that exceed the Board-regulated institution's total expected credit losses to the extent that the excess reserve amount does not exceed 0.6 percent of the Board-regulated institution's credit risk-weighted assets.

(4) *Supplementary leverage ratio.* An advanced approaches Board-regulated institution's supplementary leverage ratio is the simple arithmetic mean of the ratio of its tier 1 capital to total leverage exposure calculated as of the last day of each month in the reporting quarter.

(d) *Capital adequacy.* (1) Notwithstanding the minimum requirements in this part, a Board-regulated institution must maintain capital commensurate with the level and nature of all risks to which the Board-regulated institution is exposed. The supervisory evaluation of the Board-regulated institution's capital adequacy is based on an individual assessment of numerous factors, including the character and condition of the institution's assets and its existing and prospective liabilities and other corporate responsibilities.

(2) A Board-regulated institution must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive strategy for maintaining an appropriate level of capital.

[Reg. Q, 78 FR 62157 and 62285, Oct. 11, 2013, as amended at 78 FR 62286, Oct. 11, 2013]

#### **§ 217.11 Capital conservation buffer and countercyclical capital buffer amount.**

(a) *Capital conservation buffer.* (1) *Composition of the capital conservation buffer.* The capital conservation buffer is composed solely of common equity tier 1 capital.

(2) *Definitions.* For purposes of this section, the following definitions apply:

(i) *Eligible retained income.* The eligible retained income of a Board-regulated institution is the Board-regulated institution's net income for the four calendar quarters preceding the current calendar quarter, based on the Board-regulated institution's quarterly Call Report, for a state member bank, or the FR Y-9C, for a bank holding company or savings and loan holding company, as applicable, net of any distributions and associated tax effects not already reflected in net income. Net income, as reported in the Call Report or the FR Y-9C, as applicable, reflects discretionary bonus payments and certain distributions that are expense items (and their associated tax effects).

(ii) *Maximum payout ratio.* The maximum payout ratio is the percentage of eligible retained income that a Board-regulated institution can pay out in the form of distributions and discretionary bonus payments during the current calendar quarter. The maximum payout ratio is based on the Board-regulated institution's capital conservation buffer, calculated as of the last day of the previous calendar quarter, as set forth in Table 1 to § 217.11.

(iii) *Maximum payout amount.* A Board-regulated institution's maximum payout amount for the current calendar quarter is equal to the Board-regulated institution's eligible retained income, multiplied by the applicable maximum payout ratio, as set forth in Table 1 to § 217.11.

(iv) *Private sector credit exposure.* Private sector credit exposure means an exposure to a company or an individual that is not an exposure to a sovereign, the Bank for International Settlements, the European Central Bank, the